



LEROY D. BACA, SHERIFF

County of Los Angeles
Sheriff's Department Headquarters
4700 Ramona Boulevard
Monterey Park, California 91754-2169



April 1, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

Dear Supervisors:

**SHERIFF'S DEPARTMENT'S RESPONSE TO THE AUDITOR-CONTROLLER'S
BUDGET AUDIT FINAL REPORT**

Enclosed is the Sheriff's Department's response to the Auditor-Controller's December 15, 2003, *Budget Study Final Report* written by Thompson, Cobb, Bazilio and Associates (TCBA). TCBA was retained by the Auditor-Controller to review the County's budget practices in the Sheriff's Department and the Chief Administrative Office (CAO).

The response addresses the 11 recommendations relating to the Sheriff's budget practices as referenced in the above report. For the most part, we are in general agreement with TCBA and will work closely with the CAO to begin implementing these recommendations.

Please feel free to call me at (323) 526-5000, if you have any questions, or your staff may call Chief Paul K. Tanaka, Administrative Services Division, at (323) 526-5488.

Sincerely,

LEROY D. BACA
SHERIFF



BUDGET PROCESS

Recommendation 1

The LASD should work with the CAO to expand the budget development process to include a substantive review of key trends in service areas, issues and challenges that need to be addressed, or changes in the demand for service that could drive staffing requirements.

Response

The Department is in general agreement with the recommendation. The report by Thompson, Cobb, Bazilio & Associates, PC (TCBA) acknowledged that the Department closely follows the Chief Administrative Office's (CAO) budget preparation directions. The process includes an extensive analysis of staffing, services and equipment needs, which is individually done by the eleven divisions within the Department. This is to ensure the needs of the Department are accurately reflected as a whole when submitting the Official Budget Request to the CAO. Regrettably, the County's current fiscal situation has precluded the CAO from considering what they perceive to be above-the-baseline budget requests.

The Department will maintain an ongoing dialogue with the CAO, through recently implemented regular meetings, so that both Departments will continue exploring ways of refining the complicated budget development process. It is hoped that greater consideration will be given to the Department's Official Budget Requests as we believe they accurately reflect staffing, services, and equipment needs that are of the highest priority to public safety.

Recommendation 2

The LASD should consider linking analyses of staffing requirements performed by the Department's divisions to the budget development process.

Response

The Department does not agree with the recommendation, in that extensive analyses of staffing, services and equipment needs are already done by the eleven Sheriff's Department divisions, as referenced in the Recommendation 1 response.

To elaborate, the budget preparation process entails having each of the seventy units within the Department analyze their operational needs. The results of the these analyses are then submitted by the units, vis-à-vis budget requests, to their respective division headquarters for

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review and approval. Subsequent processes involve the combined efforts of all Department budget representatives, and include reviews of encumbrance, contract and service level needs for the upcoming fiscal year. The divisional budget requests are ultimately analyzed and compiled by our Financial Programs Bureau, which is responsible for submission of the Department's Annual Budget Request.



OVERTIME EXPENDITURES

Recommendation 3

The LASD should consider developing a model for accurately projecting the Department's overtime resource needs.

Response

The Department agrees to consider the recommendation. In that regard, the Department has formed an Overtime Working Committee (Committee) to address resource needs. The Committee's mission is to identify the many types of overtime such as operational, routine, attending training, preparing for or testifying in court, filling in for vacant positions or injuries on duty, and working on grant-funded programs. In addition, the Committee is reviewing TCBA's suggestions to determine if they should proceed with developing an overtime model. Since the inaugural Committee meeting of January 20, 2004, members have gathered on five occasions and there has been extensive discussion on a new, and potentially more efficient, overtime tracking method. If successful, the result would yield better overtime budget projections.

Recommendation 4

The LASD, in coordination with the CAO, should consider budgeting and tracking reimbursed overtime expenditures incurred in providing services to contract events, or in meeting grant requirements, separately from other overtime. The budget amounts for reimbursed overtime should be flexible to not discourage the use of this overtime.

Response

The Department is in general agreement with the recommendation and will work with the CAO to develop a better method for budgeting and tracking reimbursed overtime. The Committee, as referenced in Recommendation 3, was bifurcated into two subcommittees; one to address departmental policies, such as encouraging the expenditure of reimbursable overtime, and a second subcommittee to develop a tracking mechanism, which accurately delineates reimbursed and non-reimbursed overtime.

One of the Department's challenges is having the County Wide Timekeeping and Payroll Personnel System (CWTAPPS) modified to accept an unusual occurrence number format agreed to by the Committee. The unusual occurrence numbers, which identify special event or contract overtime, will have a crucial role in accurately tracking reimbursed overtime and the Auditor-Controller has assisted the Department with this endeavor.



NUMBER OF BUDGET UNITS

Recommendation 5

The LASD should consider working with the CAO and Auditor-Controller to establish one budget unit, whereby the Department budget would be formally controlled on a department-wide basis. It should additionally consider establishing eleven "cost centers" within the County accounting system for information and monitoring purposes.

Response

The Department strongly agrees with this recommendation and will lobby the CAO and Auditor-Controller to develop one budget unit. Currently, there are six budget units and twelve cost centers assigned within CAPS. Although the cost centers are similarly configured to Sheriff's Department divisions, the six budget units are not conducive to our needs, thus reducing the flexibility and efficiency of the Department's budget operations.

On January 29, 2004, the Department met with the Auditor-Controller and CAO to begin a dialog for addressing this recommendation. At the suggestion of the Auditor-Controller, we will be soliciting the support of the Audit Committee, to proceed with implementing the one budget unit concept to coincide with the Fiscal Year 2005-06 Budget.



SERVICES AND SUPPLIES EXPENDITURES

Recommendation 6

The LASD should consider working with the CAO to identify the actual services and supplies needs for the Department and develop a budget for services and supplies to ensure the Department's basic operating requirements for services and supplies are being adequately met.

Response

The Department is in general agreement with the recommendation and will work with the CAO to develop a Services and Supplies (S&S) budget, which meets our basic operating requirements. As referenced in the Recommendation 1 response, the Department's budget process involves an extensive analysis of staffing, services and equipment needs, which is individually done by the eleven Sheriff's Department divisions. The Fiscal Year 2004-05 Official Budget Request included what was considered the core S&S operating requirements. As emphasized earlier, we believe the Department budget requests accurately reflect the needs that are of the highest priority to public safety. Unfortunately, due to an underfunded S&S budget, in many instances, the Department was only able to selectively meet basic operating requirements.



COST ALLOCATION METHODS

Recommendation 7

To improve budget and management accountability, the LASD should consider developing an ability to monitor the allocation of resources to specific projects or programs and to track the costs associated with the allocation of these resources to specific projects or programs.

Response

The Department strongly agrees with this recommendation and recognizes the importance of having the ability to monitor and track specific project or program costs. TCBA acknowledged the Department allocates and tracks S&S expenditures through its in-house Financial Management System (FMS), and can account for unusual occurrence overtime costs. However, FMS lacks the technical capability to track program costs lower than the unit level, resulting in the Department's inability to itemize expenditures for specific projects or programs (a Department unit may have substantially more than one program or project assigned).

The Department understands the long-term effect of not implementing a cost accounting system that supports the timely recording and reporting of program expenditures. However, funding deficiencies have prevented the Department from implementing such a system. Therefore, Department members are actively participating in the eCAPS project, a new financial management systems being developed to upgrade CAPS. Although eCAPS will not specifically address this recommendation, it will improve many of the Department's critical accounting functions.



OTHER BUDGET PROCESS ISSUES

Recommendation 8

The LASD should consider developing an annual business plan prior to the initiation of the annual budget that clearly outlines the organizations specific goals, discusses key trends, issues, and challenges; and provides a clear strategic foundation for the budget process.

Response

The Department has considered this recommendation and is in general agreement with the concept of an annual business plan. On November 1, 2003, the *LASD2 Long-Term Strategic Plan* was published and it succinctly outlines the Department's organizational goals consistent with the County's *Vision Statement* and *Strategic Plan*. Additionally, the Department actively participated in the County's *Performance Counts!* program (see Recommendation 9 response).

Recommendation 9

The LASD should consider developing and implementing a performance measurement system to provide a meaningful evaluation of the effectiveness of programs and efforts relative to the Department's mission and goals.

Response

The Department agrees with the recommendation and developed program result statements, indicators and operational measures as a participant in the County's *Performance Counts!* project. The data was submitted for twelve major Department programs, as a component of the Proposed Fiscal Year 2004-05 Budget. Because *Performance Counts!* is a dynamic process, the Department will continue to identify operational measures for future programs.



BUDGET COMPLIANCE MONITORING METHODS

Recommendation 10

The LASD Financial Programs Bureau should conduct analysis of monthly expenditures compared to budgeted amounts including explanations of substantial variances from budgeted levels, as well as potential or planned corrective actions to bring expenditures into compliance.

Response

The Department's Financial Programs Bureau currently does analyses of monthly expenditures, with comparisons to budgeted levels. This process includes explanations of substantial variances and corrective actions to bring our spending patterns into compliance. Any areas of concern are immediately brought to the attention of Department management. The Executive Planning Council, which consists of Division Chiefs, the Assistant Sheriffs, the Undersheriff, and Sheriff, meets weekly and thoroughly addresses any budgetary concerns which may arise. Continuous monitoring of Department overtime and hiring is also done to ensure compliance with the Board of Supervisors' adopted budget.

Recommendation 11

The LASD, Auditor-Controller, and the Chief Administrative Office (CAO) should work together and implement a new financial management and reporting system to provide more accurate and timely financial information.

Response

The Department strongly agrees with this recommendation. In support of this initiative, the Sheriff's Department is a participant in the County's eCAPS project. Refer to the Recommendation 7 response.